CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

December 31, 2000, 1999, and 1998

Accountants and
Management Consultants
Grant Thornton LLP
The US Member Firm of
Grant Thornton International

Grant Thornton

Report of Independent Certified Public Accountants

To the Shareholder of
Fitchburg Gas and Electric
Light Company

We have audited the accompanying consolidated balance sheets of Fitchburg Gas and Electric Light Company, a wholly owned subsidiary of UNITIL Corporation, and its subsidiary, as of December 31, 2000 and 1999, and the related consolidated statements of earnings, retained earnings and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fitchburg Gas and Electric Light Company and its subsidiary as of December 31, 2000 and 1999, and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Boston, Massachusetts
February 5, 2001

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FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
CONSOLIDATED STATEMENTS OF EARNINGS (000's)

	Year Ended December 31,		
	2000	1999	1998
Operating Revenues:			
Electric	$55,234	$55,090	$51,162
Gas	22,756	18,116	17,009
Total Operating Revenues	77,990	73,206	68,171
Operating Expenses:			
Fuel and Purchased Power	31,511	29,426	25,674
Gas Purchased for Resale	13,492	9,854	9,874
Operating Expenses, Other	12,447	13,248	11,870
Maintenance	1,431	1,761	1,878
Depreciation and Amortization	6,528	6,187	5,396
Provisions for Taxes:			
Local Property and Other	1,293	1,387	1,745
Federal and State Income	2,913	2,676	2,727
Total Operating Expenses	69,615	64,539	59,164
Operating Income	8,375	8,667	9,007
Non-operating (Income) Expense	92	(47)	48
Net Income Before Interest	8,283	8,714	8,959
Interest Expense, Net	3,019	3,546	3,528
Net Income	5,264	5,168	5,431
Less Dividends on Preferred Stock	155	160	164
Net Income Applicable to Common :	$5,109	$5,008	$5,267

(The accompanying notes are an integral part of these financial statements.)

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
CONSOLIDATED BALANCE SHEETS (000's)

ASSETS	December 31, 2000	December 31, 1999
Utility Plant (at cost):		
Electric	$61,258	$55,815
Gas	36,995	34,031
Common	5,484	5,363
Construction Work in Progress	1,401	1,454
Utility Plant	105,138	96,663
Less: Accumulated Depreciation	27,433	25,514
Net Utility Plant	77,705	71,149
Other Property and Investments	18	18
Current Assets:		
Cash	376	54
Accounts Receivable - Less Allowance for Doubtful Accounts of $439 and $502	9,562	8,626
Due from Affiliates	137	5
Materials and Supplies	2,156	1,734
Prepayments	579	310
Accrued Revenue	1,621	814
Total Current Assets	14,431	11,543
Noncurrent Assets:		
Regulatory Assets	137,450	143,470
Prepaid Pension Costs	3,552	3,298
Debt Issuance Costs	549	387
Other Noncurrent Assets	15,134	15,614
Total Noncurrent Assets	156,685	162,769
TOTAL	$248,839	$245,479

(The accompanying notes are an integral part of these financial statements.)

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
CONSOLIDATED BALANCE SHEETS
(000's Except Par Value and Stock Shares Data)

CAPITALIZATION AND LIABILITIES

	December 31, 2000	December 31, 1999
Capitalization:		
Common Stock Equity:		
Common Stock, $10 par value	$12,444	$12,444
Authorized - 2,000,000 shares		
Outstanding - 1,244,629 and 1,244,629 shares		
Premium on Common Stock	10,183	10,183
Paid in Capital - stock options	---	-
Capital Stock Expense	(1,544)	(1,545)
Retained Earnings	18,831	18,486
Total Common Stock Equity	39,914	39,568
Redeemable Preferred Stock		
Cumulative Preferred Stock, $100 par value		
Authorized - 99,820 shares		
5-1/8% Series		
Outstanding - 9,732 and 9,872 shares	973	987
8% Series		
Outstanding - 12,992 and 13,527 shares	1,299	1,353
Total Redeemable Preferred Stock	2,272	2,340
Long-Term Debt, Less Current Portion	40,000	43,000
Total Capitalization	82,186	84,908
Current Liabilities:		
Long-Term Debt, Current Portion	3,000	1,000
Capitalized Leases, Current Portion	209	179
Accounts Payable	6,804	4,146
Due to Affiliates	763	964
Short-Term Debt	19,955	8,567
Dividends Declared and Payable	1,383	914
Refundable Customer Deposits	259	274
Taxes (Refundable) Payable	(3,326)	(1,597)
Interest Payable	769	790
Other Current Liabilities	289	517
Total Current Liabilities	30,105	15,754
Deferred Income Taxes	31,970	29,944
Noncurrent Liabilities:		
Power Supply Contract Obligations	97,342	106,184
Capitalized Leases, Less Current Portion	1,953	2,164
Other Noncurrent Liabilities	5,283	6,525
Total Noncurrent Liabilities	104,578	114,873
TOTAL	$248,839	$245,479

(The accompanying notes are an integral part of these financial statements.)

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS (000's)

	Year Ended December 31,		
	2000	1999	1998
Cash Flows From Operating Activities:			
Net Income	$5,264	$5,168	$5,431
Adjustment to Reconcile Net Income to			
Net Cash Provided by Operating Activities:			
Depreciation and Amortization	6,528	6,187	5,396
Deferred Taxes	2,156	(865)	1,182
Amortization of Investment Tax Credit	(100)	(140)	(204)
Amortization of Debt Issuance Costs	23	22	19
Changes in Working Capital:			
Accounts Receivable	(936)	(91)	(427)
Due From Affiliates	(132)	10	40
Materials and Supplies	(422)	413	(221)
Prepayments	(523)	707	(564)
Accrued Revenue	(807)	1,199	2,169
Accounts Payable	2,658	131	(1,713)
Due to Affiliates	(201)	(513)	392
Refundable Customer Deposits	(15)	(103)	(800)
Taxes Payable	(1,729)	(830)	(1,043)
Interest Payable	(21)	384	(21)
Other, Net	(6,949)	(4,604)	(5,535)
Cash Provided by Operating Activities	4,794	7,075	4,101
Cash Flows Used In Investing Activities:			
Proceeds from the Sale of Electric Generation Assets	---	5,288	---
Acquisition of Property, Plant, Equipment	(10,162)	(8,128)	(7,962)
Cash Used in Investing Activities	(10,162)	(2,840)	(7,962)
Cash Flows From Financing Activities:			
Net Increase (Decrease) in Short-Term Debt	11,388	(10,993)	9,539
Proceeds from Issuance of Long-Term Debt	---	12,000	---
Repayment of Long-Term Debt	(1,000)	(1,000)	(1,000)
Dividends Paid	(4,449)	(4,331)	(4,468)
Retirement of Preferred Stock	(68)	(66)	(36)
Repayment of Capital Lease Obligations	(181)	(155)	(132)
Cash Flows Provided by (Used In) Financing Activities	5,690	(4,545)	3,903
Net (Decrease) Increase in Cash	322	(310)	42
Cash at Beginning of Year	54	364	322
Cash at End of Year	$376	$54	$364
Cash Paid During the Year for:			
Interest	$4,565	$3,771	$3,734
Federal Income Taxes	--	$4,526	$1,999

The Company recorded the estimated impact of the Order from the MDTE related to its Electric Utility Restructurii Plan on December 31, 1998, and subsequently updated for actual amounts in 1999. The noncash changes relate the Restructuring Plan are as follows:

(Decrease) Increase in Regulatory Assets	--	(23,504)	129,688
Decrease (Increase) in Power Supply Contract Obligations	--	23,504	(129,688)

(The accompanying notes are an integral part of these financial statements.)

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (000's)

	Year Ended December 31,		
	2000	1999	1998
Retained Earnings, Beginning of Period	$18,486	$17,511	$16,452
Net Income	5,264	5,168	5,431
Total	23,750	22,679	21,883
Deduct:			
Cash Dividends Declared:			
Cumulative Preferred Stock			
5-1/8% Series			
at an annual rate of $5.125 per share	51	51	51
8% Series at an annual rate of $8.00 per shaı	105	109	113
Common Stock at an annual rate of			
$3.82, $3.24 and $3.38 per share	4,762	4,033	4,207
Total Dividends	4,918	4,193	4,371
Adjustment - Preferred Stock Expense	1	---	1
Total Deductions	4,919	4,193	4,372
Retained Earnings, End of Year	$18,831	$18,486	$17,511

(The accompanying notes are an integral part of these financial statements.)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations -- Fitchburg Gas and Electric Light Company (FG&E or the Company), a wholly-owned subsidiary of Unitil Corporation (Unitil), provides electric and natural gas service in Massachusetts and is subject to regulation by the Massachusetts Department of Telecommunications and Energy (MDTE) with respect to its rates, operations and accounting and the Federal Energy Regulatory Commission (FERC) with regard to other matters. The Company is also subject to the provisions of the Public Utility Holding Company Act of 1935, as it is a subsidiary of Unitil Corporation, a registered public utility holding company. The Company's accounting policies conform with generally accepted accounting principles, as applied in the case of regulated public utilities, and are in accordance with the accounting requirements of the MDTE.

The Company accounts for all its regulated operations in accordance with Statement of Financial Accounting Standard ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation," requiring the Company to record the financial statement effects of the rate regulation to which the Company is currently subject. If a separable portion of the Company's business no longer meets SFAS No. 71, the Company is required to eliminate the financial statement effects of regulation for that portion.

Principles of Consolidation -- On February 24, 1978, the Company invested $20,000 in the Common Stock of a wholly-owned subsidiary, Fitchburg Energy Development Company (FEDCO). FEDCO has invested in oil and gas drilling projects, which investments have been recorded on the equity method. All intercompany transactions have been eliminated in consolidation.

Transactions With Affiliates -- In addition to its investment in FG&E, Unitil is affiliated with two other retail utility companies, a service company, a realty company, a power company, and a non-regulated energy company.

Transactions among FG&E and other affiliated companies included a variety of professional and management services rendered by Unitil Service Corp. totaling approximately $6,808,000, $7,712,000, and $7,556,000 in 2000, 1999 and 1998, respectively. Transactions with affiliated companies are subject to review by the MDTE, the SEC and the FERC.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition -- FG&E records electric and gas revenues based upon the amounts of electricity and gas, respectively, that are delivered to customers through the end of the accounting period .

Depreciation and Amortization -- Annual provisions are determined on a group straight-line basis. Provisions for depreciation were equivalent to the following composite rates based on the average depreciable property balances at the beginning and end of each year. 2000 - 3.70%; 1999 - 3.68%; and 1998 - 2.67%.

Amortization provisions include the recovery of a portion of FG&E's former investment in the Seabrook Nuclear Power Plant in rates to its customers through a Seabrook Amortization Surcharge as ordered by the MDTE. In addition, FG&E is amortizing electric generating assets, in accordance with its electric restructuring plan approved by the MDTE.

Federal Income Taxes -- The general policy of the Company with respect to accounting for Federal income taxes is to reflect in income the estimated amount of taxes currently payable, as determined from the consolidated tax return on an allocated basis, and to provide for deferred taxes on certain items subject to timing differences to the extent permitted by the regulatory authorities. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured by applying tax rates applicable to the taxable years in which those differences are expected to reverse. The Tax Reduction

Act of 1986 eliminated investment tax credits (ITC). ITC generated prior to 1986 are being amortized, for financial reporting purposes, over the productive lives of the related assets.

Reclassifications — Certain amounts previously reported have been reclassified to conform with current year presentation.

NOTE 2: RESTRICTION ON RETAINED EARNINGS

Under the most restrictive provisions of indentures and note purchase agreements relating to the Company's long-term debt, $10,382,000 of retained earnings were available for the payment of cash dividends on Common Stock at December 31, 2000.

NOTE 3: REDEEMABLE CUMULATIVE PREFERRED STOCK

The Cumulative Preferred Stock is preferred over Common Stock in voluntary liquidation at the redemption price in effect at the time of such voluntary liquidation and in involuntary liquidation at $100 per share with respect to the 5 1/8 % and 8 % Series, plus accrued dividends.

Shares of the 5 1/8% Series are redeemable at the Company's option of $101.28 per share. The Company is required to offer to purchase on June 1 of each year not less than 420 shares of the 5 1/8% Series, unless a lesser amount of shares is tendered, at $100 per share, plus accrued dividends.

Shares of the 8% Series are redeemable at the Company's option at $100 per share. The Company is required to offer to purchase on June 1 of each year not less than 750 shares of the 8% Series, unless a lesser amount of shares is tendered, at $100 per share, plus accrued dividends.

Purchases of Redeemable Cumulative Preferred Stock during 2000, 1999 and 1998 consisted of the following:

Dividend Series	2000	1999	1998
5 1/8%	$14,000	$11,300	$36,100
8%	$53,500	$54,300	-

The aggregate amount of sinking fund requirements of the redeemable Cumulative Preferred Stock for each of the five years following 2000 are: 2001 - 2005 -- $117,000.

NOTE 4: LONG-TERM DEBT

Details of long-term debt at December 31, 2000 and 1999 are shown below:

	December 31, 2000	December 31, 1999
First Mortgage Bonds:		
8.55% Notes due March 31, 2004	$12,000	$13,000
6.75% Notes due November 30, 2023	19,000	19,000
7.37% Notes due January 15, 2028	12,000	12,000
Total	43,000	44,000
Less: Current Portion due within one year	3,000	1,000
Total Long-term Debt	$40,000	$43,000

Certain of the loan agreements contain provisions which, among other things, limit the incurrence of additional long-term debt. The aggregate amount of annual sinking fund requirements for each of the five years following 2000 are: 2001 to 2004 -- $3,000,000. The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities. Management believes the carrying value of the debt approximated the fair value at December 31, 2000 and 1999.

NOTE 5: CREDIT ARRANGEMENTS

FG&E's short-term borrowings are presently provided under a cash pooling and loan agreement between Unitil and its subsidiaries. Under the existing pooling and loan agreement, Unitil borrows, as required, from its banks on behalf of its subsidiaries. At December 31, 2000, Unitil had unsecured committed bank lines with three banks for short-term debt aggregating $35,000,000 for which it pays commitment fees. At December 31, 2000, the unused portion of the committed credit lines outstanding was $2,500,000. The average interest rates on all short-term borrowings were 6.57% and 5.72% during 2000 and 1999, respectively.

NOTE 6: LEASES

The Company conducts a portion of its operations in leased facilities and also leases some of its operations equipment. The facility lease is for twenty-two years and began in February 1981. The lease is subject to five, five-year renewal periods at the option of the Company. In addition, the Company leases some equipment under operating leases.

The following is an schedule of the leased property under capital leases by major classes:

Classes of Utility Plant (000's)	Asset Balances at December 31, 2000	1999
Common Plant	$2,366	$2,366
Less: Accumulated Depreciation	204	23
Net Plant	$2,162	$2,343

The following is a schedule by years of future minimum lease payments under capital leases as of December 31, 2000:

Year Ending December 31, (000's)	
2001	$537
2002	537
2003	292
2004	270
2005	270
2006 - 2010	1,350
Total Minimum Lease Payments	$3,256
Less: Amount Representing Interest	1,094
Present Value of Net Minimum Lease Payments	$2,162

Total rental expense charged to operations for the years ended December 31, 2000, 1999 and 1998 amounted to $6,000, $7,000, and $48,000, respectively.

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

NOTE 7: INCOME TAX

Federal Income Taxes were provided for the following items for the years ended December 31, 2000, 1999 and 1998, respectively:

	Year Ended December 31,		
	2000	1999	1998
Current Federal Tax Provision (000's):			
Operating Income	$724	$3,055	$1,461
Amortization of Investment Tax Credit	(100)	(140)	(204)
Total Current Federal Tax Provision	624	2,915	1,257
Deferred Federal Tax Provision (000's):			
Accelerated Tax Depreciation	71	8	359
Abandoned Properties	(863)	(794)	(656)
Construction Advances	(9)	(12)	(14)
Accrued Revenue	2,396	1,308	817
Deferred Base Rate Case Expense	54	(101)	283
Percentage Repair Allowance	31	2	75
Electric and Gas Industry Restructuring	(203)	163	—
Gain on Sale of New Haven Harbor	125	(1,437)	—
Miscellaneous	63	2	16
Total Deferred Federal Tax Provision	1,665	(861)	880
Total Federal Tax Provision	$2,289	$2,054	$2,137
State Tax Provision			
Current	134	627	288
Deferred	490	(5)	302
Total State Tax Provision	624	622	590
Total Federal and State Tax Provision	$2,913	$2,676	$2,727

The differences between the Company's provisions for Federal Income Taxes and the provisions calculated at the statutory federal tax rate, expressed in percentages, are shown below:

	Year Ended December 31,		
	2000	1999	1998
Statutory Federal Income Tax Rate	34%	34%	34%
Income Tax Effects of:			
Investment Tax Credits	(1)	(2)	(2)
Other, net	4	4	2
Effective Federal Income Tax Rate	37%	36%	34%

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

The major temporary timing differences which give rise to deferred tax assets and liabilities at December 31, 2000 and 1999, were as shown below:

	2000	1999
Accelerated Depreciation	$15,174	$15,144
Abandoned Property	6,786	7,649
Contributions in Aid to Construction	(413)	(436)
Percentage Repair Allowance	638	601
Allowance for Funds Used During Construction	10	19
Deferred Pensions	1,359	1,262
Accrued Revenue	5,387	2,533
Deferred Gas Base Rate Case Expense	281	217
Accumulated Deferred SFAS 109 Gross-up	2,219	2,248
Investment Tax Credit	125	226
Electric and Gas Industry Restructuring	(48)	193
Gain on Sale of New Haven Harbor	(1,562)	(1,711)
Other	2,014	1,999
Total Deferred Income Taxes	$31,970	$29,944

NOTE 8: ENERGY SUPPLY

Joint Owned Units — FG&E is participating, on a tenancy-in-common basis with other New England utilities, in the ownership of two generating units. Wyman Unit No. 4 is an oil-fired station that has been in commercial operation since December 1978. Millstone Unit No. 3, a nuclear generating unit, has been in commercial operation since April 1986. FG&E completed the sale of its principal generating asset, a 4.5% interest in New Haven Harbor Station, in March 1999. Kilowatt-hour generation and operating expenses of the joint ownership units are divided on the same basis as ownership. FG&E's proportionate costs are reflected in the Consolidated Statements of Earnings. In accordance with Massachusetts Electric Restructuring Law, and pursuant to the power supply divestiture discussed below, FG&E began selling the output from their generation units on February 1, 2000. On December 22, 2000, the MDTE approved FG&E's request to sell its joint ownership share of Millstone Unit No. 3 to Dominion Resources, Inc. The sale is expected to be completed during the first half of 2001. Information with respect to FG&E's generation assets at December 31, 2000 is shown below:

Joint Ownership Units	State	Proportionate Ownership %	Share of Total MW	Company's Net Book Value
Millstone Unit No. 3	CT	0.2170	2.50	$6,123
Wyman Unit No. 4	ME	0.1822	1.13	107
			3.63	$6,230

Purchased Power and Gas Supply Contracts — FG&E has commitments under long-term contracts for the purchase of electricity and gas from various suppliers. Generally, these contracts are for fixed periods and require payment of demand and energy charges. Total costs under these contracts are included in Fuel and Purchased Power and Gas Purchased for Resale in the Consolidated Statements of Earnings. These costs are normally recoverable in revenues under various cost recovery mechanisms. In accordance with Massachusetts Electric Restructuring Law, and pursuant to the power supply divestiture discussed below, FG&E began selling the output from their power supply contracts on February 1, 2000. Information with respect to FG&E's electric purchased power contracts at December 31, 2000 is shown in the table on the following page.

Unit Fuel Type	Energy Entitlements	Contract End Date
Hydro	8 MW	2001
Hydro	3 MW	2012
Wood	14 MW	2012

Power Supply Divestiture --- In January 2000, the MDTE approved FG&E's agreement to sell the output from its remaining electric power generation portfolio to Select Energy, a subsidiary of Northeast Utilites. FG&E initiated its electric restructuring process, including the divestiture and sale of its power supply portfolio, in 1998, in response to the Massachusetts Electric Restructuring Law. Under the Select Energy contract, which went into effect February 1, 2000, FG&E began selling the output from its remaining power contracts and the output of its two joint ownership interests to Select Energy.

Under the Massachusetts Electric Restructuring Law, customers not purchasing electric power from competitive suppliers are eligible either for Standard Offer Service ("SOS") or for Default Service. Most of FG&E's customers are currently eligible for SOS service. On March 1, 1999, FG&E entered into a contract with Constellation Power Source to procure power needed to serve the SOS load. The contract will continue through February 28, 2005. The power required to meet Default Service is currently being procured through a six-month contract from Consolidated Edison Energy, Inc. In accordance with MDTE regulations, FG&E will conduct periodic Request for Proposals (RFP) to procure Default Service at market prices. The next RFP will be used to procure Default Service effective June 1, 2001.

FG&E has been allowed recovery of its transition costs, including the above-market or stranded generation and power-supply related costs, via a non-bypassable uniform Transition Charge. The recoverable transition cost which have been recorded on FG&E's balance sheet as Regulatory Assets, include $97,342,000 of purchased power contracts and $6,020,000 of stranded generation assets and other adjustments related to the restructuring process.

As a result of the Order by the MDTE related to Electric Industry Restructuring in Massachusetts (See Note 10), the Company is required to discontinue the provisions of Statement of Financial Accounting Standards 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS No. 71), to the generation and power supply portion of FG&E's business. FG&E's electric distribution business and gas supply and distribution will continue to apply SFAS No. 71.

NOTE 9: BENEFIT PLANS

Pension Plans -- Prior to May 1, 1998, Unitil Corporation had in effect two funded pension plans and related trust agreements to provide retirement annuities for participating employees at age 65. On May 1, 1998 the plans of all of Unitil Corporation's subsidiaries were merged into one plan with uniform plan provisions to be known as the "Unitil Corporation Retirement Plan." The entire cost of the plan is borne by the subsidiaries for their respective employees. Effective January 1, 2000, the Plan's assets were reallocated among the subsidiaries to more properly reflect the Projected Benefit Obligation of each subsidiary.

The following tables provide information related to FG&E's portion of the Plan:

Net Periodic Expense (Income) (000's):	2000	1999	1998
Service Cost	$222	$283	$285
Interest Cost	973	953	884
Expected Return on Plan Assets	(1,662)	(1,446)	(1,297)
Amortization of Transition Obligation	163	163	162
Amortization of Prior-Service Cost	100	100	67
Recognized Net Actuarial (Gain) Loss	(69)	---	---
Net Periodic Benefit Income	($273)	$53	$101

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

Reconciliation of Projected Benefit Obligations (000's):	2000	1999	1998
Beginning of Year	$13,266	$15,185	$11,595
Service Cost	222	283	285
Interest Cost	973	953	884
Amendments	9	---	1,408
Actuarial (Gain) Loss	(134)	(2,201)	1,916
Benefit Payments	(1,014)	(954)	(903)
End of Year	$13,322	$13,266	$15,185

Reconciliation of Fair Value of Plan Assets (000's):	2000	1999	1998
Beginning of Year	$16,462	$17,642	$15,458
Reallocation of Plan Assets	1,110	---	---
Actual Return of Plan Assets	661	(226)	3,087
Benefit Payments	(1,014)	(954)	(903)
End of Year	$17,219	$16,462	$17,642

Funded Status (000's):	2000	1999	1998
Funded Status at December 31	$3,897	$3,197	$2,457
Unrecognized Transition Obligation	160	322	485
Unrecognized Prior-Service Cost	1,148	1,241	1,342
Unrecognized (Gain) Loss	(1,634)	(1,462)	(934)
Prepaid Pension Cost	$3,571	$3,298	$3,350

Plan assets are invested in common stock, short-term investments and various other fixed income security funds. The weighted-average discount rates used in determining the projected benefit obligation in 2000, 1999 and 1998 were 7.75%, 7.75%, and 7.70%, respectively, while the rate of increase in future compensation levels for 2000, 1999 and 1998 was 4.00%, respectively. The expected long-term rates of return on assets in 2000, 1999 and 1998 was 9.25% in each year.

Employee 401(k) Tax Deferred Savings Plan -- The Company participates in a defined contribution plan (under Section 401 (k) of the Internal Revenue Code) covering substantially all of the Company's employees. Participants may elect to defer from 1% to 15% of current compensation to the plan. The Company matches contributions, with a maximum matching contribution of 3% of current compensation. Employees may direct the investment of their savings plan balances into a variety of investment options, including a Unitil Corporation common stock fund. Participants are 100% vested once completing three years of service in contributions made on their behalf. The Company's share of contributions to the plan were $96,000; $96,000; and $111,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

Post-Retirement Benefits — The Company provides health care benefits to retirees for a twelve-month period following their retirement. The Company continues to provide life insurance coverage to retirees. Life insurance and limited health care post-retirement benefits require the Company to accrue post-retirement benefits during the employee's years of service with the Company and the recognition of the actuarially determined total post retirement benefit obligation earned by existing retirees. At December 31, 2000, 1999 and 1998, the accumulated post retirement benefit obligation (transition obligation) was approximately $86,000, $93,000 and $100,000, respectively, and the period cost associated with these benefits for 2000, 1999 and 1998 was approximately $27,000, $26,000 and $25,000, respectively. This obligation is being recognized on a delayed basis over the average remaining service period of active participants and such period will not exceed 20 years.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Restructuring Activity — FG&E is regulated by various federal and state agencies, including the Securities and Exchange Commission (SEC), the Federal Energy Regulatory Commission (FERC), and state regulatory authorities with jurisdiction over the utility industry, including the Massachusetts Department of

Telecommunications and Energy (MDTE). In recent years, there has been significant legislative and regulatory activity to introduce greater competition in the supply and sale of electricity and gas, while continuing to regulate our delivery and distribution operations.

Massachusetts enacted comprehensive electric utility industry restructuring in November 1997. Since March 1, 1998, all electric consumers in Massachusetts served by investor-owned utilities have had the ability to choose their electric energy supplier. FG&E continues to implement its comprehensive electric restructuring plan and divestiture of its entire regulated power supply business, including its nuclear investment.

Since 1997, FG&E has worked in collaboration with the other Massachusetts gas distribution utilities and various other stakeholders to develop and implement the infrastructure to offer gas customers choice of their competitive gas energy supplier and to complete the restructuring of gas service provided by gas utilities. FG&E filed with the MDTE new gas tariffs to implement natural gas unbundling in accordance with Model Terms and Conditions resulting from these collaborative efforts. The MDTE issued an Order approving these tariffs and final regulations effective November 1, 2000.

Massachusetts Electric Restructuring --- On January 15, 1999, the MDTE approved FG&E's restructuring plan with certain modifications. The Plan provides customers with: a) the ability to choose an energy supplier; b) an option to purchase Standard Offer Service provided by FG&E at regulated rates for up to seven years; and c) a cumulative 15% rate reduction adjusted for inflation. The Order also approved FG&E's power supply divestiture plan for its interest in three generating units and four long-term power supply contracts.

Pursuant to the Plan, on October 30, 1998, FG&E filed a proposed contract with Constellation Power Services Inc. for provision of Standard Offer Service. Constellation began to supply power under that contract on March 1, 1999, and is scheduled to continue through February 28, 2005. The award of this contract was the first successful Standard Offer auction conducted in Massachusetts.

A contract for the sale of FG&E's interest in the New Haven Harbor plant was approved by the MDTE on March 31, 1999, and the sale of the unit closed on April 14, 1999. A contract for the sale of the entire output from FG&E's remaining generating assets and purchased power contracts to Select Energy, Inc. was approved by the MDTE on December 28, 1999, and went into effect February 1, 2000.

On December 22, 1999, FG&E filed with the MDTE new rates for effect January 1, 2000. The revised rates maintain the required inflation-adjusted 15% rate discount. The MDTE approved the rates on January 5, 2000, subject to an examination of the Company's filing in which it reconciles its estimated and actual transition costs (the "reconciliation filing").

On February 2, 2000, the MDTE initiated a proceeding to examine FG&E's reconciliation filing and the consistency of the proposed charges and adjustments with the methods approved in FG&E's restructuring plan. The MDTE held four days of hearings in May 2000, and the Company presented testimony in support of its filing. As part of his review of FG&E's filing, the Massachusetts Attorney General has challenged FG&E's recovery of certain transition costs and other cost reconciliation calculations. Management is unable to determine the outcome of the MDTE proceedings. However, if an unfavorable outcome were to occur, there could be an adverse impact on the Company's consolidated financial position.

As a result of restructuring and divestiture of FG&E's generation and purchased power portfolio, FG&E has accelerated the write-off of its electric generation assets and its abandoned investment in Seabrook Station. The MDTE established the return to be earned on the unamortized balance of FG&E's generation plant, reducing FG&E's earnings on those assets. As this portfolio is amortized over the next 9 years, earnings from this segment of FG&E's utility business will continue to decline and ultimately cease.

On August 2, 2000, FG&E was the first electric company in Massachusetts to file for an increase in its Standard Offer Service rates pursuant to the Fuel Adjustment provision of its Standard Offer Service (SOS) tariff. This adjustment allows an increase in the SOS rate due to increases in the fuel prices of oil and natural gas. Any revenues received as a result of this adjustment are passed on to the Company's wholesale SOS provider. The MDTE suspended the filing for further review. Subsequently, other electric utility companies operating in

Massachusetts made similar filings, and the MDTE instituted proceedings in each of those cases. On December 4, 2000, the MDTE issued an order for the utilities authorizing a "fixed" fuel adjustment, calculated based on the most recent 12 months of data. These adjustments took effect on January 1, 2001. FG&E's SOS rate increased from 3.8¢/kWh to 5.121¢/kWh. Unrecovered amounts to date will be recovered, subject to the rate reduction requirements of the Act.

In approving the new SOS rates, the MDTE also directed all electric distribution companies to file a report with the MDTE on their efforts to mitigate transition costs. On January 19, 2001, FG&E filed an extensive report detailing its mitigation activities, including contract restructurings, divestiture of its generating assets and a variety of initiatives intended to reduce the burden of increasing energy prices on customers. While FG&E has substantially completed the divestiture of its generation assets, the Company continues to seek ways to reduce its transition costs and lower prices for customers.

On December 1, 2000, FG&E filed new electric rates for effect January 1, 2001. The revised rates maintain the required inflation-adjusted 15% rate discount. The MDTE approved final rates on December 29, 2000, subject to reconciliation pursuant to an investigation of actual and estimated transition costs, resulting in an upward inflation adjustment of 3.5% relative to 2000 rates.

New customers, and customers who previously opted to take electric supply service from a competitive provider, may purchase power through FG&E under Default Service. FG&E provides the Default Service through a third party supplier at market-based rates. The Company issued a Request for Proposals for Default Service in September 2000. FG&E awarded a contract and filed resulting rates which were approved effective for the period January through May 2001.

In June 2000, the MDTE opened an investigation into whether (1) metering, meter maintenance and testing, and customer billing and information services (MBIS) should be unbundled; and (2) the service territories of distribution companies should remain exclusive. On December 29, 2000, the MDTE issued its report recommending that the Legislature not take action to allow for the competitive provision of MBIS in the electric industry. The MDTE also concluded that exclusive service territories should remain intact.

Massachusetts Gas Restructuring — In mid-1997, the MDTE directed all Massachusetts natural gas Local Distribution Companies (LDCs) to form a collaborative with other stakeholders to develop common principles and appropriate regulations for the unbundling of gas service, and directed FG&E and four other LDCs to file unbundled gas rates for its review. FG&E's unbundled gas rates were filed with, and approved by, the MDTE and implemented in November 1998.

On February 1, 1999, the MDTE issued an order in which it determined that the LDCs would continue to have an obligation to provide gas supply and delivery services for another five years, with a review after three years. This order also set forth the MDTE's decision requiring mandatory assignment by LDCs of their pipeline capacity contracts to competitive marketers. In March 1999, the LDCs and other stakeholders filed a settlement with the MDTE which set forth rules for implementing an interim firm transportation service through October 31, 2000. The MDTE approved the settlement on April 2, 1999. FG&E has made separate compliance filings that were approved by the MDTE to implement its interim firm gas transportation service for its largest general service customers and to complement this service with a firm gas peaking service. This interim service is now superseded by the permanent transportation service, which was approved for implementation on November 1, 2000.

On November 3, 1999, the Massachusetts LDCs filed Model Terms and Conditions for Gas Service, including provisions for capacity assignment, peaking service, and Default Service. In accordance with the MDTE's approval of these Model Terms and Conditions in January 2000, FG&E filed Company-specific tariffs that implement natural gas unbundling. The MDTE also opened a rulemaking proceeding on proposed regulations that would govern the unbundling of services related to the provision of natural gas. The MDTE has issued an order approving the tariffs and final regulations effective November 1, 2000.

Pending Rate Proceedings — The last formal regulatory filings to increase base electric rates occurred in 1984 for FG&E. A majority of the Company's operating revenues are collected under various periodic rate adjustment mechanisms including fuel, purchased power, cost of gas, energy efficiency, and restructuring-related cost recovery mechanisms. Industry restructuring will continue to change the methods of how certain costs are recovered through the Company's regulated rates and tariffs.

As discussed above, FG&E filed for and received approval of an increase to its electric Standard Offer Service rate reflecting extraordinary increases in the price of oil and natural gas. FG&E also received an increase to its Cost of Gas Adjustment resulting in bill increases of approximately 25%, effective November 1, 2000. FG&E subsequently received another increase of approximately 20% to its Cost of Gas Adjustment for effect February 1, 2001. Wholesale natural gas prices reached record levels in New England and across the United States in response to cold weather and tight supplies.

On May 15, 1998, FG&E filed a gas base rate case with the MDTE. The last base rate case had been in 1984. After evidentiary hearings, the MDTE issued an Order allowing FG&E to establish new rates, effective November 30, 1998, that would produce an annual increase of approximately $1.0 million in gas revenues. As part of the proceeding, the Massachusetts Attorney General alleged that FG&E had double-collected fuel inventory finance charges, and requested that the MDTE require FG&E to refund approximately $1.6 million in double collections since 1987. The Company believes that the Attorney General's claim is without merit and that a refund was not justified or warranted. The MDTE rejected the Attorney General's request and stated its intent to open a separate proceeding to investigate the Attorney General's claim. On November 1, 1999, the MDTE issued an Order of Notice initiating an investigation of this matter. Hearings were held in early 2000 and were reopened in November 2000 to hear new evidence. Supplemental testimony has been filed and additional hearings were held in February 2001.

On October 29, 1999, the MDTE initiated a proceeding to implement Performance Based Rate making (PBR) for all electric and gas distribution utilities in Massachusetts. PBR is a method of setting regulated distribution rates that provide incentives for utilities to control costs while maintaining a high level of service quality. Under PBR, a company's earnings are tied to performance targets, and penalties can be imposed for deterioration of service quality. On December 29, 1999, FG&E filed a petition with the MDTE for authority to defer for later recovery costs associated with its preparation of a PBR filing for its gas division and its participation in the MDTE-initiated generic gas and electric PBR proceedings. This petition and the MDTE's generic proceeding are pending. The Company is currently evaluating the impact, if any, that PBR would have on the Company's ability to continue applying the standards of Statement of Financial Accounting Standards No. 71 "Accounting for the Effects of Certain Types of Regulation."

On December 31, 1999, the Massachusetts Attorney General filed a complaint against FG&E requesting that the MDTE investigate the distribution rates, rate of return, and depreciation accrual rates for FG&E's electric operations in calendar year 1999. The MDTE opened a proceeding in November 2000, held a public hearing and procedural conference in December 2000, and subsequently issued a procedural schedule covering the period January through April 2001. Any order received from the MDTE would apply to the Company's rates prospectively and would not be retroactive. Management is unable to predict the outcome of this proceeding but an unfavorable result could have an adverse impact on the Company's consolidated financial position.

Millstone Unit No. 3 FG&E has a 0.217% nonoperating ownership in the Millstone Unit No. 3 (Millstone 3) nuclear generating unit which supplies it with 2.49 megawatts (MW) of electric capacity. In January 1996, the Nuclear Regulatory Commission (NRC) placed Millstone 3 on its Watch List, which calls for increased NRC inspection attention. In March 1996, as a result of engineering evaluations, Millstone 3 was taken out of service. The NRC authorized the restart of Millstone 3 in June 1998.

During the period that Millstone 3 was out of service, FG&E continued to incur its proportionate share of the unit's ongoing Operations and Maintenance (O&M) costs, and may incur additional O&M costs and capital expenditures to meet NRC requirements. FG&E also incurred costs to replace the power that was expected to be generated by the unit. During the outage, FG&E incurred approximately $1.2 million in replacement power costs, and recovered those costs through its electric fuel charge, which is subject to review and reconciliation by the MDTE. Under existing MDTE precedent, FG&E's replacement power costs of $1.2 million could be subject to disallowance in rates.

In August 1997, FG&E, in concert with other non-operating joint owners, filed a demand for arbitration in Connecticut and a lawsuit in Massachusetts, in an effort to recover costs associated with the extended unplanned shutdown. Several preliminary rulings have been issued in the arbitration and legal cases, and both cases are continuing. On March 22, 2000, FG&E entered into a settlement agreement with the defendants under which FG&E will dismiss its lawsuit and arbitration claims. The settlement is generally similar to earlier settlements with the defendants, and three joint owners that own, in the aggregate, approximately 19% of the unit. The settlement provides for FG&E to receive an initial payment of $600,000 and other amounts contingent upon future events and would result in FG&E's entire interest in the unit being included in the auction of the majority interest, and certain of the minority interests, in Millstone 3, which is expected to be completed by 2001. Upon completion of the sale of Millstone 3, FG&E will be relieved of all residual liabilities, including decommissioning liabilities, associated with Millstone 3. FG&E expects to flow through the net proceeds of the settlement to its customers.

On September 8, 2000, Western Massachusetts Electric Company, New England Power Company, and FG&E together filed a Joint Petition requesting approval by the MDTE of the sale of their respective interests in Millstone Units 1, 2, and 3. The Companies also requested MDTE findings that the divested assets qualify as "eligible facilities" pursuant to Section 32 (c) of the Public Utility Holding Company Act of 1935. The MDTE approved the sale and certified the unit as an "eligible facility" on December 22, 2000. The parties to the sale transaction are currently awaiting other state and federal regulatory approvals for the final sale of the Millstone units.

Environmental Matters

The Company continues to work with federal and state environmental agencies to identify and assess environmental issues at the former manufactured gas plant (MGP) site at Sawyer Passway, located in Fitchburg, Massachusetts. FG&E has proceeded with site remediation work as specified on the Tier 1B permit, which allows FG&E to work towards temporary remediation of the site.

In April 2000, FG&E applied for a Utility Related Abatement Measure (URAM) with the Massachusetts Department of Environmental Protection (DEP) to permit excavation work required to construct a new electric substation on FG&E's former MGP site at Sawyer Passway. The permit application was reviewed and approved by the Massachusetts DEP in May 2000. All work permitted under the provisions of the URAM was completed and a final report of closure was submitted to the DEP in December 2000.

Construction of the new highway bridge across Sawyer Passway began in October 2000. FG&E began fulfillment of obligations associated with the bridge construction as stipulated in a memorandum of understanding with the Massachusetts Highway Department and the Massachusetts DEP.

Upon completion of site remediation associated with the bridge construction, the last remaining portion of the Sawyer Passway MGP site is expected to be closed out and attain the status of temporary closure in late 2001. This temporary closure requires FG&E to monitor the site until a feasible permanent remediation alternative can be developed and completed.

The costs of remedial action at this site are initially funded from traditional sources of capital and recovered from customers under a rate recovery mechanism approved by the MDTE. The Company also has a number of liability insurance policies that may provide coverage for environmental remediation at this site.

NOTE 11: SEGMENT INFORMATION

The Company has two reportable segments: Electric and Gas. The segments follow the same accounting policies as described in the Summary of Significant Accounting Policies. All intersegment transactions are eliminated in the consolidated financial statements. Segment profit or loss is based on profit or loss from operations after income taxes. Expenses used to determine operating income before taxes are charged directly to each segment or are allocated in accordance with factors contained in cost of service studies which were included in rate applications approved by the MDTE. Assets allocated to each segment are based upon specific identification of such assets provided by Company records.

Year Ended December 31, 2000 (000's)	**Electric**	**Gas**
Revenues	$55,234	$22,756
Depreciation and Amortization	4,953	1,575
Interest, net	1,649	1,370
Income Taxes	2,714	199
Segment Profit	4,447	662
Identifiable Segment Assets	192,464	40,173
Regulatory Assets	137,470	----
Capital Expenditures	6,341	3,821

Year Ended December 31, 1999 (000's)		
Revenues	$55,090	$18,116
Depreciation and Amortization	4,729	1,458
Interest, net	2,291	1,255
Income Taxes	2,876	(200)
Segment Profit	4,688	320
Identifiable Segment Assets	195,501	35,653
Regulatory Assets	143,470	----
Capital Expenditures	5,862	2,266

Year Ended December 31, 1998 (000's)		
Revenues	$51,162	$17,009
Depreciation and Amortization	4,504	892
Interest, net	2,431	1,097
Income Taxes	2,872	(145)
Segment Profit	5,091	176
Identifiable Segment Assets	214,212	36,354
Regulatory Assets	167,181	----
Capital Expenditures	4,791	3,171